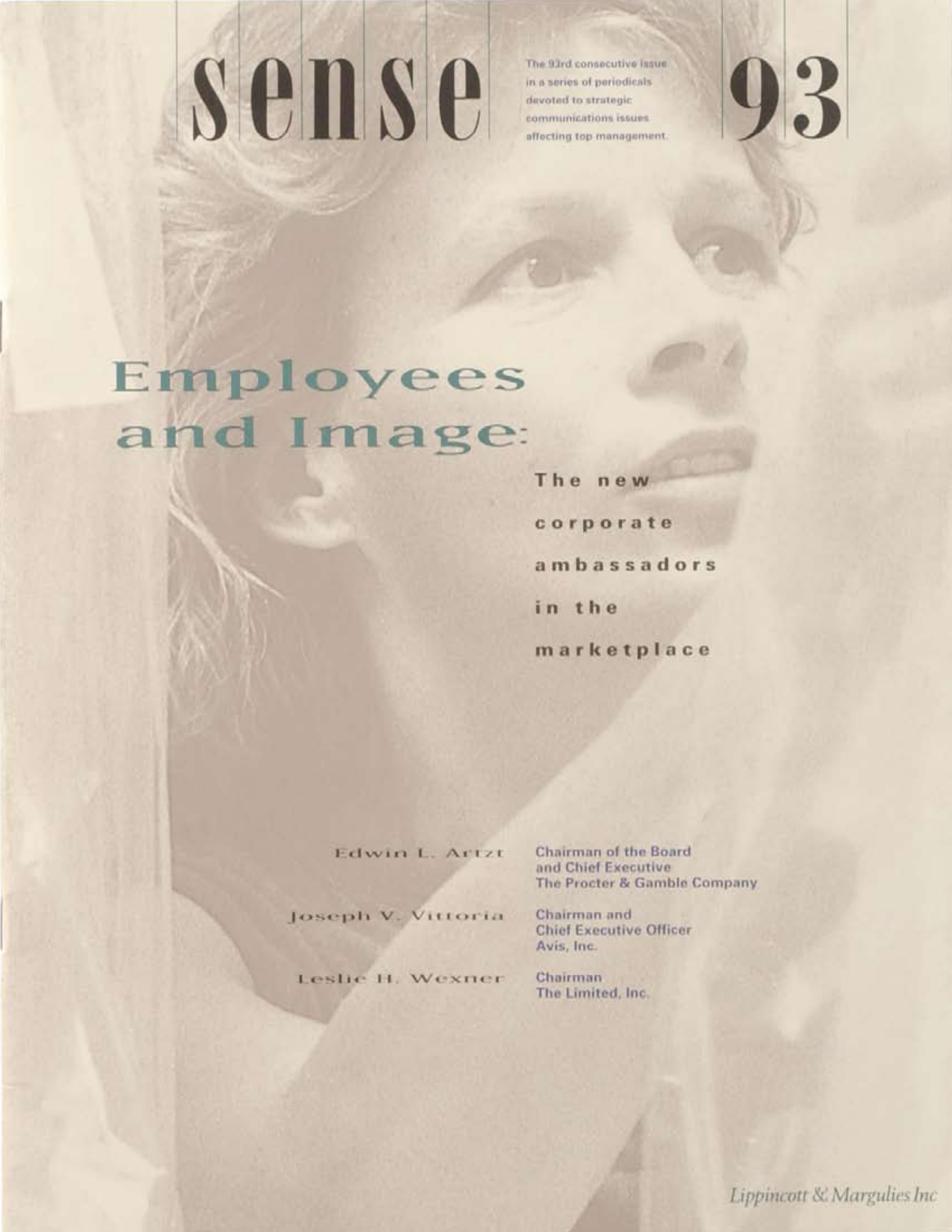
sense 93

The 93rd consecutive issue in a series of periodicals devoted to strategic communications issues affecting top management.



Employees and Image:

The new corporate ambassadors in the marketplace

Edwin L. Artzt — Chairman of the Board and Chief Executive, The Procter & Gamble Company

Joseph V. Vittoria — Chairman and Chief Executive Officer, Avis, Inc.

Leslie H. Wexner — Chairman, The Limited, Inc.

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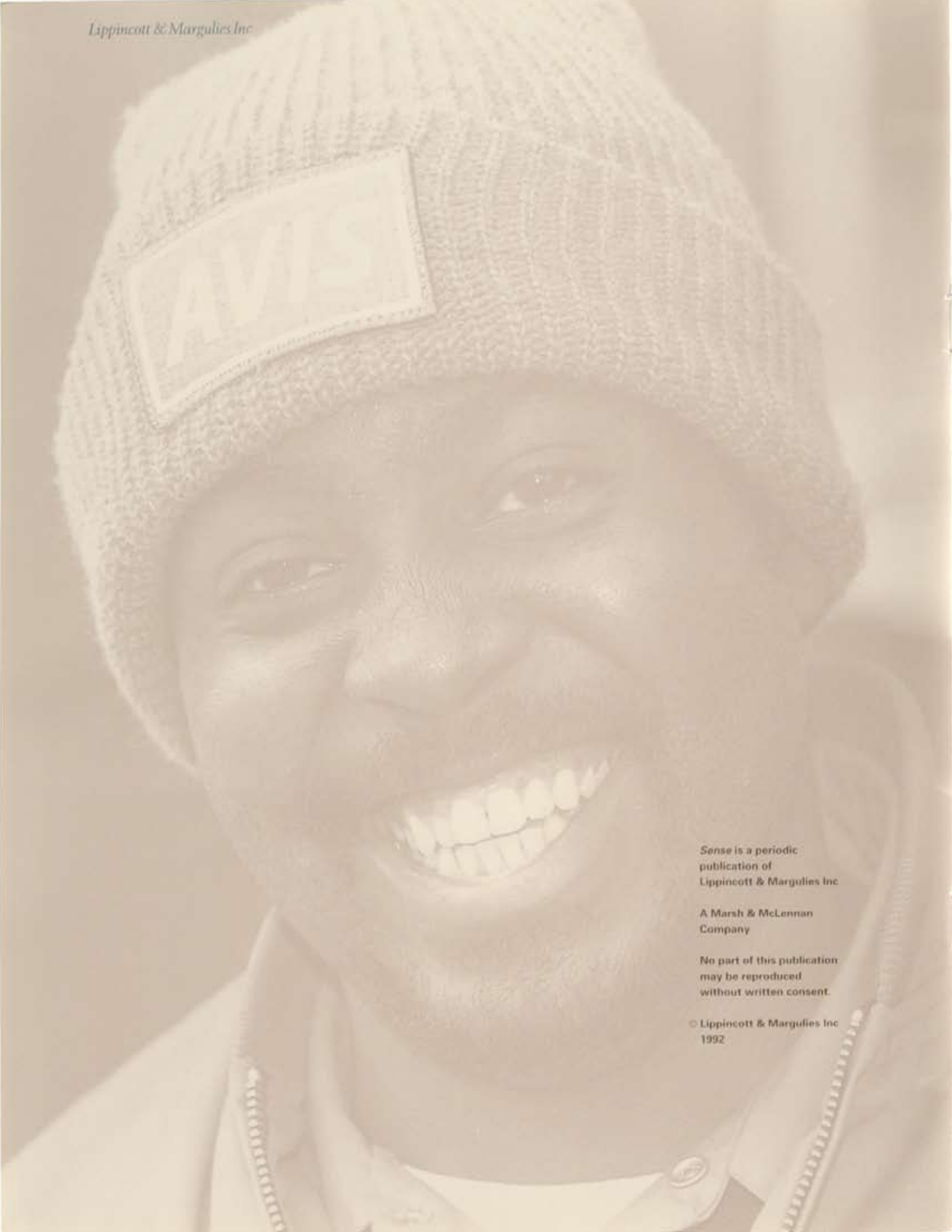

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Read just about any annual report and you are certain to find a reference to employees. Normally they are called the finest and most dedicated in the industry and the real source of a company's competitive advantage. Annual reports aside, such statements are normally heartfelt and quite often true — especially the part about competitive advantage.

Conversations powerfully shape how employees present the company to the world at large: whether they will be ambassadors of commitment, or ambassadors of indifference.

Happily, most companies recognize the value of their employees. They know the difference an able, committed employee force can make. The difference between the leaders and the also-rans in any industry is defined as "those that are doing something about it."

But what, exactly, does a company do? The answer lies somewhere in the corporate culture, a term so ephemeral that grasping it can be compared to reaching into a cloud. One way to define it is within the context of communications. Corporate culture is the sum total of the conversations that a company holds with itself. In other words, it is the *image* these conversations create within the family.

page 2 *Letter from the Publisher*

It is the frequency, clarity and sincerity of the conversations that hold the key to whether culture can be added to a company's arsenal of strategic assets — why it can help lift the fortunes of some companies and sits on others like a dead weight.

The conversations — and they can be as tangible as an all-employee memo from the chairman, or as subtle as tradition — powerfully shape how employees present the company to the world at large; whether they will be ambassadors of commitment, or ambassadors of indifference.

It is the frequency, clarity and sincerity of the conversations that hold the key to why culture lifts the fortunes of some companies and sits on others like a dead weight.

In this, our 93rd consecutive issue of *Sense*, we talk with three leaders who have created their companies around the power of their employees, leveraging their culture as a corporate asset. Starting with some fundamental beliefs and behaviors, they have fashioned, in their own ways, cultures that are able to tap effectively into individual initiative and contribution.

Edwin L. Artzt, Chairman of the Board and Chief Executive of Procter & Gamble, heads a company whose attention to employees is programmed as securely as genetic code into the make-up of the organization. From the earliest days, he says, P&G has been shaped by quality, integrity and a drive to win. "Put all of that together," he says, "and it's the ultimate corporate product. We need to protect it and market it with the same care and skill that we bring to all of our brands."

Each company featured has found a common key: create a culture of employee respect, reward and motivation, and you will create an asset with the power to drive a company to the top of its market.

Avis employees comprise the 12th ownership group of the company in its 45-year history, which today gives new meaning to the term ownership of results. Chairman and Chief Executive Officer Joseph V. Vittoria says Avis has always been employee oriented. But employee ownership "took it to a higher plane. They take a special interest in interfacing with our customers." He says if you ask any employee what it's like to be an owner, "they'll have an intelligent answer. It's not something they take lightly."

No industry depends more on employee-customer contact than retailing, where a customer's impression of a store rests largely on service. And Leslie H. Wexner, Chairman of The Limited, Inc., has turned it into one of The Limited's key competitive strengths. His philosophy is direct: customers come first. "And if our people have values our customers can identify with, they'll be the best ambassadors we could have."

Different industries. Different histories. Different customer needs. Different cultures. But each of our interview subjects has found a common key: create a culture of employee respect, reward and motivation, and you will create an asset with the power to drive a company to the top of its market.

Starting with some fundamental beliefs and behaviors, the companies interviewed here have fashioned in their own ways cultures that harness individual initiative and contribution.

As always, we would like to hear your thoughts about this issue of *Sense*, or any other aspect of identity and image management.

Clive Chajet

Chairman and Chief Executive Officer

"...we have a set of basic principles that have guided our company since its founding in 1837 that won't go out of style. Those are the things that bind P&G people together with a sense of loyalty and commitment that they transmit to the outside world."

Since joining Procter & Gamble in 1953, Chairman of the Board and Chief Executive Edwin L. Artzt has personally discovered the pride in being part of a company that began 116 years before his first day on the job. "Because we are a promotion-from-within company, the future quality of the organization depends on the people we recruit for entry-level jobs...it ensures that the know-how we've developed over the years gets passed on to the incoming generations," he says. This strategy has proven to be effective in making Procter & Gamble a global leader in paper, health care, food and beverage, beauty care, laundry and cleaning products sold in over 140 countries. Mr. Artzt conducts a product strategy meeting, *far right*, while flanked by pictures of a few of P&G's 103,400 employees.

Edwin L. Artzt — Chairman of the Board and Chief Executive, The Procter & Gamble Company

Procter & Gamble has traditionally separated its corporate name and activities from its brands. Does that play a role in how your employees function as corporate ambassadors?

Our traditional approach is changing. Procter & Gamble as a company is fast becoming one of our most important brands. The integrity of the company and its policies and practices concerning the environment, nutrition, the safety of our raw materials and our social consciousness all can have an important bearing on how the consumer feels about our brands. It is still our policy that our brands must stand on their own feet. But today the image and reputation of Procter & Gamble visibly stand behind them as well. Our employees have always represented both our brands and our company very well.

What is that image?

First and foremost, we're a quality company. Quality is the essence of Procter & Gamble's positioning as a business enterprise. We started out selling soap and candles of high quality at good value, and that commitment to quality has

carried through to this day — in the kinds of brands we sell, in the kinds of people we hire, in the kinds of plants we operate.

We're also a company of great integrity — we're an ethical and socially responsible company. The values of honesty, fair dealing, concern and respect of our people and our neighbors, and a determination to try to do the right thing, have always guided the way we do business.

And we're a company of winners. We strive to be #1 in the market and to gain competitive advantage in everything we do. That's part of our culture. We're product-driven, financially oriented and truly global. We are innovative and fast on our feet. We're a great place to work, and a great company to do business with from the standpoint of both customers and suppliers.

Put all of that together and it's the ultimate corporate product. We need to protect it, and we need to market it with the same care and skill that we bring to all of our brands. Our employees personify this image, and so when we talk about our company, we are really talking about P&G people.

Some people say that in an era of takeovers, downsizing and restructuring, it's becoming passé for employees to be proud of the companies they work for.

I wouldn't agree with that at all. One of the characteristics of P&G is the pride our employees take in both the company and the role it plays in the community. Our employees get an enormous amount of satisfaction out of the fact that they work for P&G and that the company is so highly regarded in the community. Their pride in Procter & Gamble is a real asset for us. It makes them feel good about their work, and it also helps us recruit and retain the best people worldwide.

Does that good image pay off?

It sure does. It's a two-way street. It helps us get better people; people who aren't just looking for a job but who want to come to work for P&G. And it affects the way they relate to their jobs and to our customers and suppliers. If people don't regard working for Procter & Gamble as something special in its own right, then we have failed in explaining to them what the company really stands for. But most of the time we don't fail. Because we are a promotion-from-within company, the future quality of the organization depends on the people we recruit for entry-level jobs. Developing the future leaders of P&G is a major responsibility for all our managers.

Does your policy of promoting from within have broader implications as well?

Yes, it ensures cultural continuity. One of the great benefits of that policy is that it ensures that the know-how we've developed over the years gets passed on to the incoming generations. Two very simple things preserve the culture of a company. One is a set of principles that survive change. And the other is management that's been through it all and has an historical perspective of what has made the company successful. If we preserve those two things, then 100 years from now, Procter & Gamble will still be Procter & Gamble. We may be in different businesses, and we may be doing a lot of things we wouldn't recognize today. But what we would recognize is old William Cooper Procter's simple principles of trying to do the right thing; conveying respect and concern for our people; conducting business in a fair and honest way; and knocking the daylights out of our competitors every chance we get, in fair competition.

What about the danger of being too in-bred?

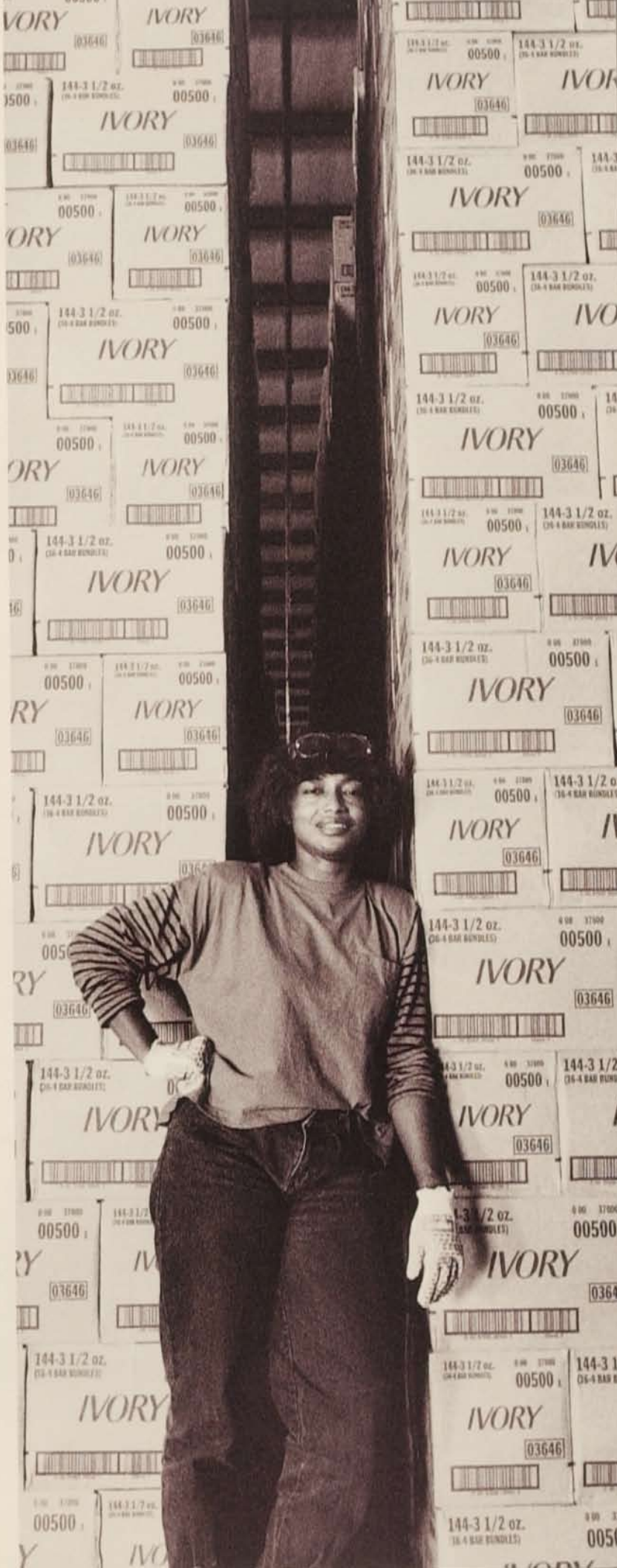
The common things we look for in our people are high levels of energy, intellect, leadership and character. That brings together a lot of very different people. One of the amazing things about Procter & Gamble is how different our people are as individuals. The danger of in-breeding in the strictly literal sense is when the genes begin to

downgrade. That doesn't happen here. In fact, they tend to be enhanced by the stimulus of working together with people who are just as hard-driving, just as demanding and just as results-oriented.

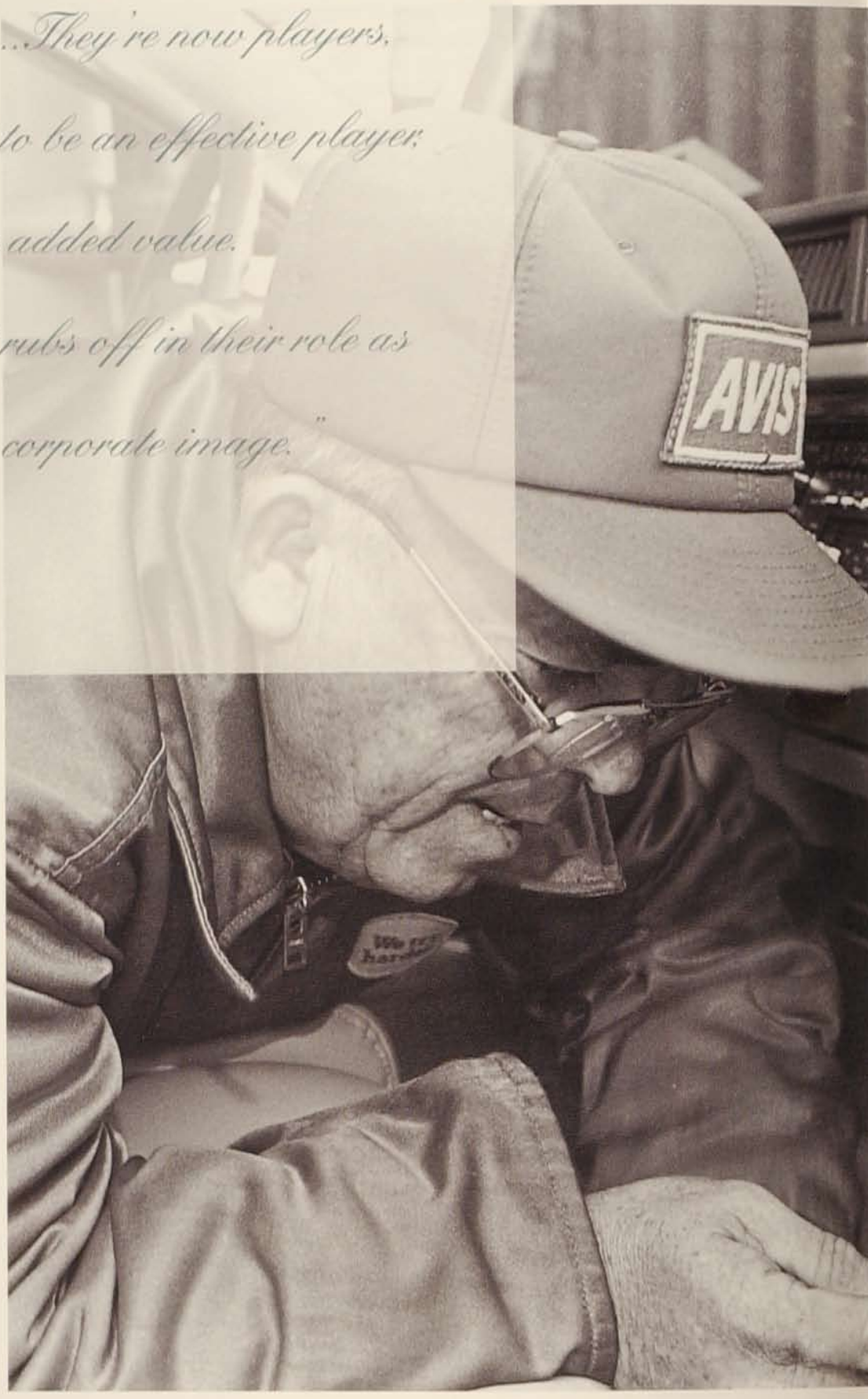
Operating as you do in so many countries, how do you maintain your standards, your values and your corporate culture in all those different environments?
We have to work at it, but our values and culture travel very well. We sell our products in over 140 countries and we have major operations on the ground in more than fifty. We transmit our standards and values in a hands-on way, through our principles, our training and our people. All our managers in those countries have grown up in Procter & Gamble and most have experience in more than one country. The key managers outside the United States have worked on average in three different countries on the way up. So they have seen the company from the inside working in different cultures and different languages. They know the P&G way is common to all of them. That's another one of the advantages of bringing people up from within the organization.

What kind of relationship do you want to develop between your managers and your brands?
I would describe it as neo-parental. We want our managers to think of themselves as the temporary parents of eternal children — in this case our brand assets. We want them to be aware of the heritage of the brand they're managing. It's their job to take the brand asset that's being entrusted to them — to keep it healthy and to make it grow — and to make sure that its value is greater when they turn it over to a successor. I want our people to feel that our brands are going to be around for a long time and that they're not just here to generate profits today. We don't believe in such things as marketing life cycles. We want our brands to be eternal. Anyone who starts thinking about life cycles is in the process of creating a self-fulfilling prophecy. We don't want to sacrifice our brands to short-term strategic expediency.

Can you relate that concept of brand continuity to corporate image and the role of your employees as ambassadors of that image?
Just as we won't allow our brands to go out of style, we have a set of basic principles that have guided our company since its founding in 1837 that won't go out of style. Those are the things that bind P&G people together with a sense of loyalty and commitment that they transmit to the outside world.



"Our people are motivated. They feel they're participants ... They're now players, and they know that to be an effective player they have to provide added value. And we know that rubs off in their role as ambassadors of the corporate image."



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"We try harder" isn't just a tag line for the Avis car rental company. Since the company is employee-owned, it's a way of life. To keep their asset viable, employees "try harder" to please the customer and deliver results that pay off not only for the company, but also for their own interests.

An innovative program started in 1987 by Chairman and Chief Executive Officer Joseph V. Vittoria, *far right*, the Employee Stock Ownership Plan (ESOP) is considered to be a role model in the corporate world for other companies considering a similar program.

And "world" is no understatement. Avis operates in 139 countries with 400,000 vehicles in about 4,900 locations.

Some of the 13,000 Avis owners are pictured here at work.

Joseph V. Vittoria — Chairman and Chief Executive Officer, Avis, Inc.

Since it was established 45 years ago, Avis has had eleven different owners. In 1987, ownership was transferred to its employees through an Employee Stock Ownership Plan. How has that affected Avis employees as ambassadors of the corporate image?

Avis has always been a company that's employee-oriented. We have a large number of long-term people and many of them consider themselves to be part of the Avis family. The creation of an ESOP took this to a much higher plane. Keep in mind that except for retail-store employees our people have much more direct contact with the customer than at most other companies. And nowadays they take a special interest in interfacing with our customers. Anytime you rent a car from Avis, ask the person you're dealing with — whether he or she is a rental agent or a bus driver — what it's like to be an owner and you'll get an intelligent answer. It's not something they take lightly. They're very serious about it. And it definitely affects their performance on the job and the service they provide.

Do you have any specific programs to implement the employee-ownership process?

The key to employee ownership is open dialogue. We have initiated a regular structure of Employee Participation Groups (EPG) that meet regularly to discuss every aspect of the business, how to improve it and how to serve our customers better. Employee representatives are elected by their co-workers to attend monthly district meetings, quarterly zone meetings, semi-annual regional meetings and, finally, a national meeting that takes place every July. This process has been outstandingly successful in obtaining employee input on all aspects of our operations and giving management the opportunity to pass on the objectives we want to meet. One of those key objectives is to improve the quality of service; and it's amazing how our people have achieved new standards of quality since they became employee-owners through the ESOP. They were good to begin with, but now they're even better.

Are they aware they play roles as Avis ambassadors to the outside world?

They sure are. One of the things we're trying to do to make our quality program even more effective is to empower our people to make the decisions needed to solve a customer's problem on the spot without having to go to a supervisor. Now there are some problems a local employee can't deal with. But there are many they can. Our goal is to provide customer satisfaction and frequently that can be accomplished by employees taking some action on their own. One of our slogans is "Owners try harder," and we try to encourage that by giving our people down the line the ability to make decisions. And if they make a mistake, we'll put our arms around their shoulders later on and explain how it could be done better the next time. Part of our management training program is to get managers in line with this new concept of having their people taking some actions on their own.

Has this empowerment program created any problems?

At the start it did. We had some problems early on when we began the EPG process and employees started coming up with wonderful solutions to certain problems. Sometimes their managers would get nervous that their superiors might wonder why they hadn't thought of those solutions. So we had to get into that and point out that we did that job years ago and we didn't think of it either. And we'd explain that there's nothing wrong with a man or woman who's doing a job eight hours a day seeing things that a manager doesn't. So just welcome the suggestion and make sure the person who made it is recognized for it.

What kind of image do you want your employees to project?

I want them to convey the image that we're a warm and friendly company that's also very efficient. I want our customers to feel that our people care about them as individuals and not just credit-card numbers. I think we're far ahead of anyone else in doing that. My whole philosophy about business is that if you make employees feel appreciated, if you treat them properly and correctly, they'll give you a good day's work, and more. But you have to keep emphasizing the importance of their roles, and you have to keep in touch with them.

How do you do that?

We meet with our people regularly at all levels. There are, of course, the EPG meetings. And I devote at least one week every two months to going around the country to meet with them — flying to two cities a day — to fill them in on how we're doing, to listen to their views on how to make things better. Keeping communication lines direct and uncomplicated has been a goal of senior management at Avis for many years and the advent of the ESOP has given new importance to this management style.

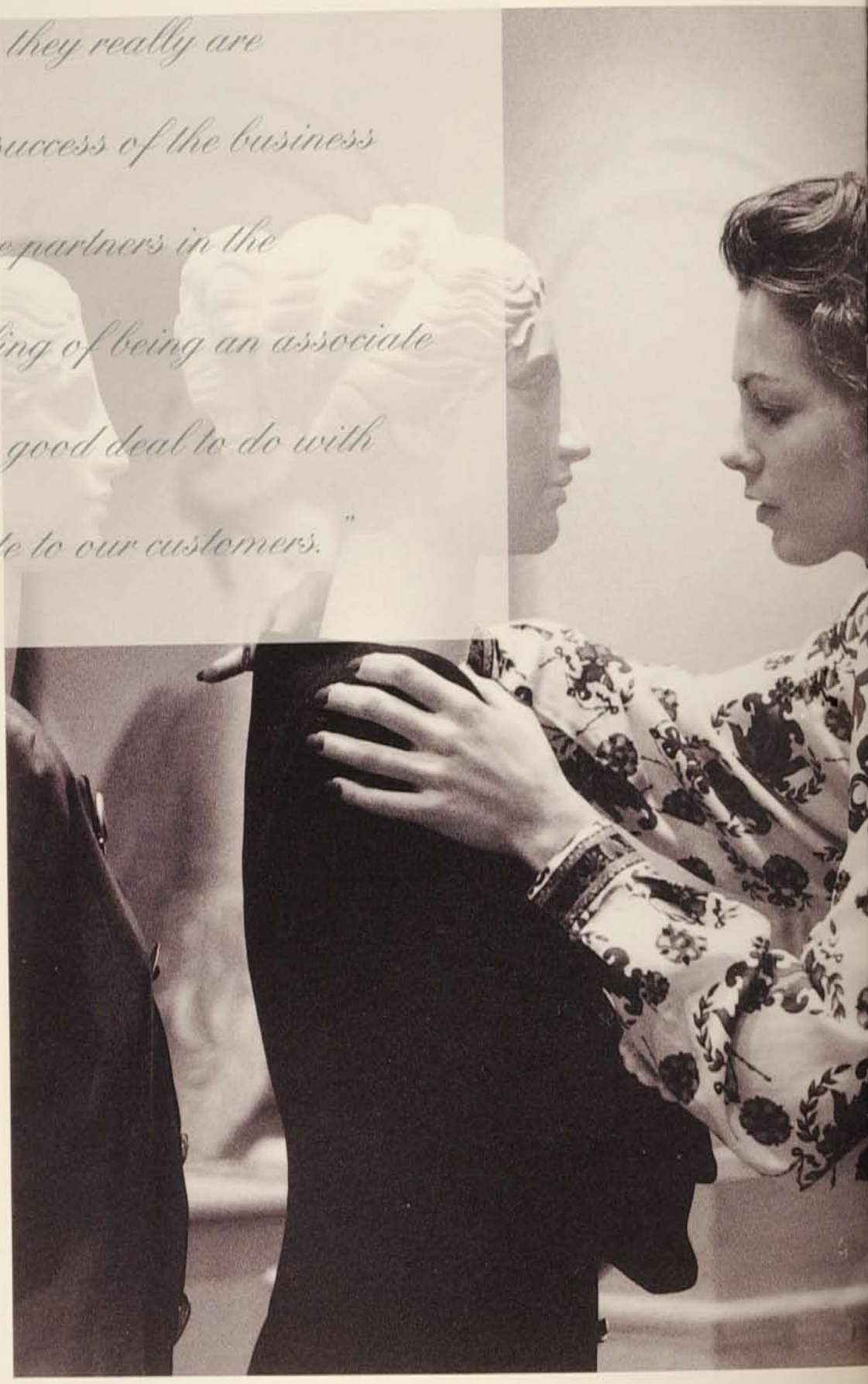
In recent years, many companies have experienced a loss of corporate loyalty on the part of their employees, a lack of pride in their work. What's been your experience?

One way to restore it is to give them a piece of the action. Our people are motivated. They feel they're participants, that they can make the company better and therefore their own positions better. They're now players, and they know that to be an effective player, they have to provide added value. And we know that rubs off in their role as ambassadors of the corporate image. We had some outside researchers come in not long ago and they were overwhelmed by the activities of some of our people. There's a significant group of employees who are just supercharged. What we want to do now is take some of those supercharged people and see how we can use them to charge others.

You emphasize that Avis is a people-oriented company, but you're also a leader in developing a global, real-time information system. How does that relate to the service image you want your people to project?

Our Wizard system enables us to process the car-rental operation faster and more efficiently. I'm a firm believer in computerization and it has enhanced the service we can offer our customers. We like to think we can get technology and people to complement each other. Instead of hiring computer experts and teaching them manners, we like to hire friendly people and teach them computers. Our objective is to separate ourselves from the rest of the industry by continuing to improve the quality of our service. We want our customers to recognize that quality is worth something. Then it becomes a value relationship rather than just a price relationship. Look at a busy time at an airport. The car rental counters are all lined up. But very rarely will you see a line at an Avis counter. That's because the technology our employees have helped develop and perfect is so fast it gets our customers right through. But it's also because our people are going like lightning. After all, they're owners as well as workers, and they take pride in their work.

"...we call our people 'associates' rather than employees ...because they really are associated with the success of the business and ...they really are partners in the company ...that feeling of being an associate and an owner has a good deal to do with how our people relate to our customers."



A commitment to detail, as demonstrated by an Express associate, *near left*, is the formula that made The Limited, Inc. the largest women's apparel retailer in the world. Chairman Leslie H. Wexner, shown *right center* with his mother and board member, Bella Wexner, and the Mayor of Reynoldsburg, Ohio, founded The Limited in 1963 with one store and first-year sales of $160,000. The company has grown to annual sales of $6.2 billion, with 4,200 specialty stores in the United States, lucrative catalogue merchandising and 75,000 employees. Associates, such as those shown in these photographs, own over 80 percent of the company's stock shares, making them true ambassadors of the multifaceted corporation.

Leslie H. Wexner — Chairman
The Limited, Inc.
Shown center

As a retailing company, The Limited's employees have much more direct contact with the public than do the employees of most other companies. How does that relate to their role as ambassadors of the corporate image?

How people represent their company is a combination of their skills and their own attitudes. If you walk into a store and ask the manager or salesperson if they like it there and the answer is, "I hate it but the pay is good," I could propagandize them or script them from here to eternity and it would be transparent. In really good enterprises, it's the attitude the people who work there have that's a genuine reflection of how they feel about the company. You can tell an unhappy employee. A company that is only profit-driven is on the wrong path because I don't think you can emphasize profits above everything else and build a great company that people are proud to be associated with. It's the wrong message. We recognize that the customer comes first and our aim is to serve them well, with good merchandise and good values and good service. If we do

that, we'll have lots of customers. And if our people have values our customers can identify with, they'll be the best ambassadors we could have.

Is there a specific way by which you inculcate that feeling of shared values?
It's not as though we have a company song. What we try to do is break down our business units to a size that people can relate to and that are more efficient. There's a perception in much of American business that bigger is better and there are economies of scale. Sometimes I think it's inefficiencies of scale. I don't believe in having people pay allegiance to a monolithic $10 billion or $20 billion enterprise that employs thousands of people. It's much more effective when it's broken down to units that people can identify with and that can capture their imagination as individuals. In our company, I think the primary allegiance is probably to the division, the operating unit, rather than to The Limited, Inc. That's good for our associates and it's good for the company.

How does that relate to The Limited's success as a company?
Good people are the secret of our success. I refuse to hire anyone I don't think is a good person and who doesn't have the ethics and values we believe in. Once they've passed that hurdle, only then do we consider whether they have the skills needed to do the job. The first time you hire someone who's not a good person because they have the skills, that's when you begin to corrupt your organization. And being fair and ethical and open doesn't mean we aren't disciplined and don't insist on high standards of performance. We demand excellence, but we also believe in being fair.

Is every one of The Limited's people an extension of Les Wexner and his values?
Not of me, but of the values of the company. They must have respect for those values; otherwise they'll just mouth the words. They might pledge allegiance, but it would not come through with conviction. We want all our people to feel that although they may be only one person in a big company, they do individually make a difference. If they have that kind of feeling, it will be reflected in their everyday contacts with our customers and the other people they deal with.

How can you make sure your new employees accept those values?
They will assimilate them, or they'll sort themselves out. When I interview someone, the most important thing is that they understand how we think about things, what our values are, and what the job is. I could sell them the job, and they could probably sell me themselves. But if at the end of the day they think our values and our standards are nonsense, then they'll leave.

But what if they won't, if they need the job?
They'll leave. The white sheep will force out the black sheep. They won't tolerate it. I believe there's a self-selection process. We're a very hard-working company. We're open, we have integrity, and we share our common values. If someone is really a scoundrel, they'll be pretty uncomfortable here. They won't like the other people.

Is there anything special about your employees that makes them such good ambassadors for the company?
First, I must point out that we call our people "associates," rather than employees. That's because they really are associated with the success of the business and also because they really are partners in the company. Over eighty percent of them own stock in The Limited. And, by the way, they don't buy it at a discount. We believe we have a larger percentage of associates who are stockholders than any other major company. My feeling is that if somebody is going to devote that many hours of the day and that many hours of the week to an enterprise, then they should invest in

it, too. And I'm proud of the fact that so many of them do just that. And I think that feeling of being an associate and an owner has a good deal to do with how our people relate to our customers.

How do you want them to relate?

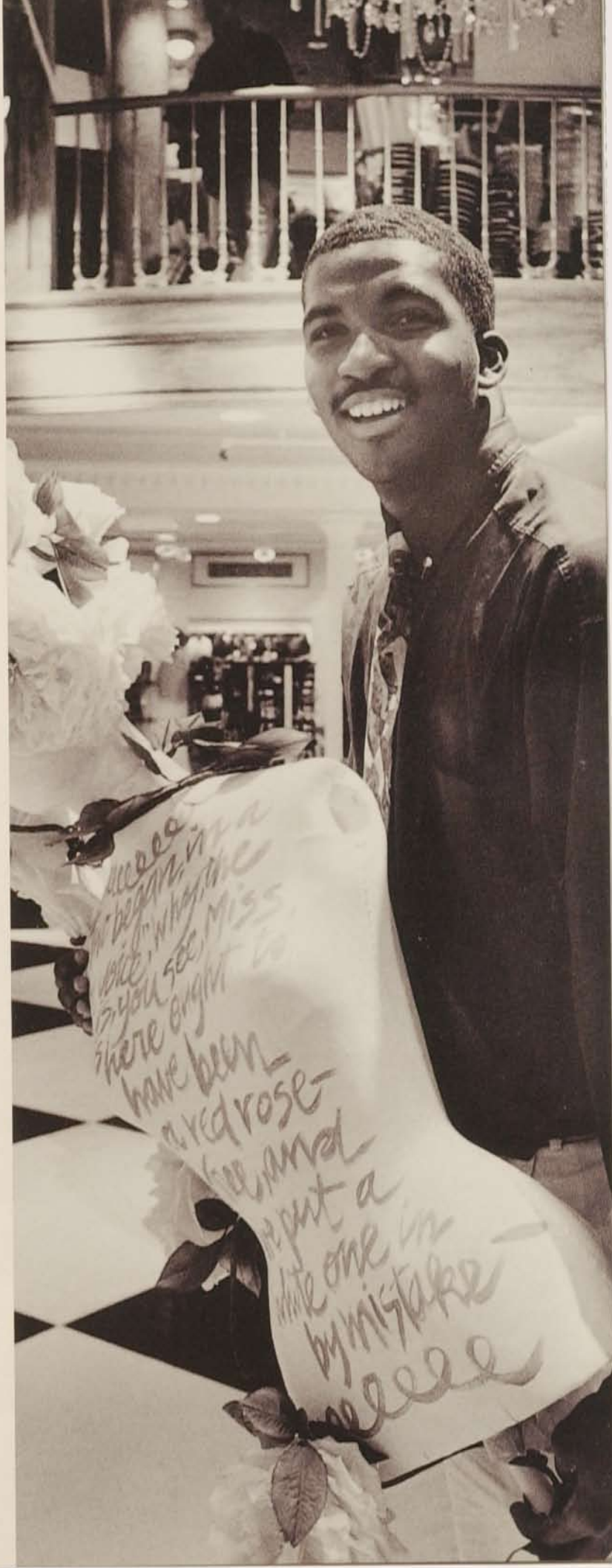
We want our associates to treat our customers as if they were guests in their homes. They can do that by being courteous and friendly and by making them feel at home. We don't ignore them, but we don't try to force them to take something they really don't want. Our goal is to make our customers want to come back. Success in retailing is determined by a number of factors, including how good the merchandise is, how it's displayed and how clean and attractive the store is. But at the top of the list is the attitude of the people who work there.

How about managerial style?

We consider ourselves good merchants; we are structured and disciplined, and we value integrity and honesty. We take a largely tutorial approach to pass on those shared values. In the words of the old song, we try to accentuate the positive and eliminate the negative. But we're tolerant of mistakes. I'm suspicious of people who never make mistakes because that may mean they're too timid or cautious. We try to propagate an entrepreneurial style of management that is willing to take risks if they're reasonably balanced with the prospects of reward. I want our people to hit home runs, but I remember that while Babe Ruth was the home run king, he also led the league in strikeouts.

Can you instill loyalty among your employees?

I don't think you can consciously do it. It's really a by-product of all those things I spoke of earlier. If your people believe you are providing fair, honest, consistent and intelligent leadership, they will be loyal to you. Leadership that is successful over a sustained period and is a demonstration of personal commitment will gain credibility. I believe true loyalty derives from the creation of good values, persistence in reinforcing those values, and the determination to communicate them. I think our associates know we value their partnership. The most important shareholders to us are those who produce the results.



A Sense of Pride at LOEB

The LOEB Pride Program took the concept of putting a logo on clothes and turned it into a statement of status, an emblem of a club to which employees want to belong.

While employee involvement is important to LOEB stores, it doesn't come easy. For any store, up to 75 percent of the work force is part-time. And as with any part-time employee base, turnover is high.

That's no problem for a warehouse or discount food business. But for a company that's building an image around service, employee attitude is critical.

"For LOEB," says David Guilfoyle, Senior Vice President of Marketing Services "the product is the store. So the focus is on building customer relationships with the store, not just selling what's on the shelves."

Selling the store, he explains, means everything from short lines at the checkout counter to the new LOEB prepared food products to wide aisles, pleasant interiors and carry-out service.

But in building relationships, each employee makes the difference — in friendliness, responsiveness and caring about customers' needs.

It's no surprise then that high on the priority list for retailers is building a sense of team work and spirit, particularly when it comes to serving the customer. That's where the LOEB Pride Program has helped make a difference. LOEB took the concept and turned it into a statement of status, an emblem of a club to which employees want to belong.

Says one franchisee, "We have a lot of activities — like parties and award programs — to build the kind of environment that leads to better service. Almost all of our people have bought something, most of them more than one item. We've found the Pride Program to be a big help in boosting enthusiasm among our employees — and our customers are finding this attitude infectious, too. What could be better than walking into a store where employees project personal pride in their company?"

In the 1980s, a Canadian company called LOEB initiated a complete change in direction — and in the process tapped into an employee resource that proved to be a powerful tool in the job of creating a new image.

The Ottawa-based company was previously a buyer/ wholesaler that distributed products to IGA supermarkets in Ontario and Quebec.

Beginning in 1981, LOEB set out to become a retail marketer — an umbrella organization that would provide owner-operated franchise food stores with the tools and programs to compete on par with the major grocery chains.

The change would mean converting IGA stores — where service and appearance ranged from good to fair — to a service-oriented, consistently high quality group of food stores under the LOEB and LOEB IGA banners, offering everyday, every week low prices and service second to none.

The change embraced a wide range of identity tools: a new logo, new signage, new color schemes, a line of LOEB "Made Today" prepared food products and a total obsession with pleasing the customer.

LOEB also saw one more strategic asset in its image program: LOEB employees.

LOEB has launched a number of efforts to develop that asset, such as aggressive communications and training programs. It also recently launched a new program called, simply, Pride. Employees across the whole organization are becoming what Senior Vice President for Marketing Services David Guilfoyle calls "living advertising."

At greatly reduced rates, employees can, literally, wear the LOEB colors on everything from athletic jackets to T-shirts, 77 items in all, and all designed to reflect current and contemporary fashion style.

Putting a logo on clothes is hardly breakthrough thinking; try to find something in a sporting goods store that doesn't have a logo.

"But simply getting our name around wasn't the point," says Mr. Guilfoyle. "In fact, these items aren't available to the general public, although we've had a lot of requests. We wanted to harness the pride that we as employees, and the employees of the LOEB franchises, already express. It became a way for us to show our community that we are proud of where we work and who we are. We also saw it as a way to build employee involvement in the organization."

That kind of involvement is particularly important to the LOEB stores. Their business revolves around their local communities, where they draw both their customers and their employees.

While early indications said the Pride Program would be a hit with employees, Mr. Guilfoyle says the company still took it step by step. "We wanted to make sure we would offer products and designs that people really wanted."

LOEB talked with retailers, employees and others to find out what people wanted. The first rollout of the program was to corporate employees, and more than 70 percent took advantage of the chance to buy fashionable, durable quality products that were priced well below wholesale. LOEB underwrote the difference as an advertising expense.

Next came the rollout to the LOEB retailers. "At our spring meeting," says Mr. Guilfoyle, "we put a different article of clothing in the hotel room of each retailer. We didn't tell them what was going on; we just asked that they wear the clothing to the meeting the following day.

"They walked into the business session wearing this stuff, not knowing what was going on. They were their own fashion show. We handed out sample kits and order forms for their employees, which they took back to their stores."

The retailers embraced the Pride Program with fervor. They organized fashion shows and their enthusiasm exceeded all expectations.

LOEB is looking at refining and expanding the program, especially into non-clothing items. One example of a successful non-clothing item was the children's watch with the face of "Koo-kie," the mascot of the LOEB Cookie Club, introduced in the Fall '91 program. Sales of this item were over 1,100 units.

"We're pleased with every aspect of the LOEB Pride Program so far," says Mr. Guilfoyle."The response from our retailers has been very strong. And so has the response from employees. We're getting the LOEB logo in front of customers in a very effective way. And most importantly, we're creating a symbol of pride — something only for the LOEB employee. It says they're part of something special, a feeling that we believe will translate into the kind of customer service that gives us a real competitive advantage."

Employees' Other Hat: Image Shaper

In shaping an image for a company and its products or services, a Chief Executive Officer typically focuses on the world outside the walls of the organization — customers, investors, government, media and other external audiences.

But a new breed of Chief Executive Officers is broadening this traditional view. They know that the image of the company among outside audiences is largely shaped by those inside. And this means not just those who are paid to manage the company's image, but all employees, whether they're on the production line or in the finance department, behind the scenes in administration or out front in sales. Whatever the position, employees wear two hats — one is the work they perform, the other is the image they convey as ambassadors for the company.

Besides recognizing the profound influence employees exert on a company's fortunes, today's enlightened executives understand a fundamental truth...you are what your employees believe you are.

The lead thinkers on importance of internal image are taking action: sharing strategic information, using modern communication technologies to reach all employees, holding face-to-face meetings, providing them with desirable image shaping tools, demonstrating the real value of internal communications. Perhaps most important of all, they're building consensus for a corporate vision.

As reported in *Business Week*, one executive who may be rewriting the rules for affirmative employee involvement is PepsiCo's D. Wayne Calloway. He is granting stock options to all employees, reviewing all significant new hiring decisions, holding internal "SharePower Rallies" — all to make employees "think like owners."

Others, however, have not recognized the potential that an all-out employee involvement effort offers. While they repeat often enough how important they think employees are, the statements are always couched in the narrowest of terms, and many have found that the cost of such corporate misjudgment is a polarized, demoralized work force. And the toll is collected where it hurts the most...with the customer.

Roger Smith, former Chairman of General Motors, has readily admitted that his greatest shortcoming was failing to communicate the strategy behind the company's drastic overhaul to GM employees. All they saw were the results. "I sure wish I'd done a better job of communicating with GM people," says Mr. Smith. "There we were, charging up the hill right on schedule and I looked behind me and saw that many people were still at the bottom, trying to decide whether to come along."

Mike Lovdal, Vice President of Mercer Management Consulting's Strategy Group, whose corporate assignments often include multi-day seminars to communicate strategy, has found that there are several common barriers to communicating a company's strategic purpose. First, he says, is an "assumption that everyone knows it already."

Although companies regularly undertake broad-based "customer focus" or "total quality" programs, "these concepts too often remain mere buzzwords to employees. Until employees have a better understanding of strategic direction, a wide gap can still exist between a company's plan and successful implementation," explains Mr. Lovdal. "Another problem is a hold-over from the traditional hierarchies of the past — top management's notion that strategy is *their* purview. Employees need not — and even should not — be involved, they wrongly feel."

Image Change: Are Employees Ready?

One of the most important areas in which to involve employees is the reshaping/recreating of a corporate image. Research conducted by Lippincott & Margulies shows that the success of a long-term image management initiative must *start* with employees. What are their fundamental attitudes and opinions? What are they thinking right now?

"Employees can reveal much about their personal self-esteem and their relationship with their employer," says Clive Chajet, Chairman and Chief Executive Officer of Lippincott & Margulies.

The firm's research on how employees impact a desired image consistently shows that employees' feelings can significantly affect the opinions of external audiences toward

the company along with its products and services. Communication can be as subtle as body language, tone of voice and attitude — or as deliberate as the tone and manner of an employee motivational or advertising campaign.

Besides operational policies, Mr. Chajet says that a company's work environment and other visual identity elements also contribute to an employee's sense of pride, satisfaction and motivation, all of which are ultimately expressed to the outside world.

Employee-Driven Change at Continental

Continental Airlines, the nation's fifth largest airline, approached Lippincott & Margulies for assistance in developing a comprehensive identity and long-term image management program. Continental's goal was to work toward becoming a "world-class airline," ranked as an equal among the top-tier carriers. While the challenge was great, given the carrier's troubled past, management had implemented sufficient fundamental changes in the airline's operations that this long-term goal was a realistic one. The first step was to make all employees believe in the vision.

For a new image to emerge, employees had to feel a sense of ownership for all of the changes that were being instituted, from internal operations to external communications. To keep that ownership alive, Continental involved employees to a degree perhaps "unprecedented in any past image program in the consulting firm's experience," says Lippincott & Margulies' Senior Vice President and Project Manager, Steven Lawrence.

Wide employee polling and an employee-staffed Image Advisory Group helped ensure that change was in sync with internal opinion.

Research revealed that the airline's employees had a tendency to be apologetic and self-effacing prior to the new image initiative, which included new uniforms, new plane interiors and exteriors and a broad range of other visual redesigns. Says Mr. Lawrence: "The changes improved employee pride, morale and confidence. For example, employees believed that they were perceived as more professional in their new uniforms and, accordingly, customers believed that they *were* more professional. Employee enthusiasm spilled over to the manner in which they serviced their customers."

The Why Behind It All

But just as important as gauging employee readiness for change is a formal, interactive effort to communicate the *why* behind an organization's strategic direction. Since an image management initiative is usually the result of a significant change in a company's reality — a new corporate positioning, a cure for an existing problem, a restructuring or merger, a divestiture or simply growth — it falls to the communications program to "tie the broad corporate direction to specific managerial actions and make it meaningful on an individual level," explains Mercer Management Consulting's Mr. Lovdal.

As in assessing readiness, communicating the whys of an image change demands a carefully planned approach.

Mr. Chajet suggests that any program should begin with a simple question: What information about our business do we need to communicate to which levels of management, and what should be the desired effect? "The goal must not be merely to disseminate the information, but to help the organization realize its strategic objectives," he explains.

In issues from quality to productivity, the power of employee involvement has been demonstrated from the assembly line to the work station and even to the board room. "It's clear," says Mr. Chajet, "that the companies that go beyond empty slogans in areas like empowerment are getting results. Now that same thinking is extending to equally important areas like corporate image.

"It is really common sense. If a company wants a certain image, then its leadership must make sure that the employees who are to embody that image fully understand it, fully accept it and feel they have a role in making it happen. There is no other way."

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